

ECON 026: Organizational Economics

General Information:

Term: 2020 Summer Session
Instructor: Staff
Language of Instruction: English
Classroom: TBA
Office Hours: TBA
Class Sessions Per Week: 5
Total Weeks: 5
Total Class Sessions: 25
Class Session Length (minutes): 120
Credit Hours: 4

Course Description:

This course gives a fundamental introduction and analysis to the theories of organizations relying on economic thinking, mostly from the perspective of modern for-profit firms, but also involving some discussion on non-profit organizations and institutions. Students will explore why organizations is set up, how to attract and motivate the right employee working efficiently for the firm and how to evaluate the performance of the organization. Topics discussed including the foundation of company and main economic theory of organizations(transaction costs theory, property right theory, contract theory), incentives, and boundary of firm, corporate governance and performance evaluation system.

Learning Objectives:

After taking this course, the students will be able to:

1. Develop understanding on the framework of important organizational economic problems and solutions in a firm.
2. Have a good understanding on the classical economic theories of organization and their contemporary development.
3. Formulate strategies on how to design incentives system to motivate the employee and improve their working efficiency.



4. Be clear about the organizational architecture and its applications in organizational management.
5. Develop critical thinking skill in case study and assigned readings.

Course Materials:

There is no specific or required textbook. The teaching materials and reading assignment will be selected from the following list. Students will be provided with handouts, reading materials, PowerPoint slides in class.

1. Economics, Organization and Management, Milgrom, P. and J. Roberts, Prentice Hall, 1992.
2. Personnel Economics in Practice, 2nd Edition, Edward P. Lazear and Michael Gibbs, 2009
3. The Modern Firm: Organizational Design for Performance and Growth, John Roberts 2007
4. Managerial Economics and Organizational Architecture, James Brickley, Clifford Smith, Jerold Zimmerman, McGraw-Hill/Irwin, 2006
5. The handbook of Organizational Economics, John Roberts, Princeton University Press, 2012
6. Harvard Business Cases
7. Reading in the famous Business Journal, such as Bloomberg.com, Wall Street Journal, Financial Times, The Economist, etc.

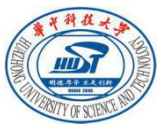
Course Format and Requirements:

The course is mainly in the form of lecturing, the materials of which will be designed by the instructor before each class. The contents of the lectures are selected topics, and supplemented reading materials and case studies.

In order to get a thorough understanding of the knowledge presented, students are supposed to finish all the assigned readings before class and finish the assignment of Preparedness for Class for in-class discussions.

Attendance:

Students are supposed to be presented at all class sessions. Notifications about absence reasons to the instructor should be done in advance if students are not able to attend classes. Students will be allowed a one-time pass for an emergency absence. Other than that, one time of absence would result in More than three absences will result in the failure of the course. Active participation in all classroom activities is also very important for students to achieve success in this course.



Course Assignments:

Reading Assignment and Class Participation: 15%

Reading assignment will help you firstly have a preview on what we are going to discuss in class and prepare well for class discussion. Some other after-class reading assignment aims to deepen your understanding on course materials covered already. Active participation in the class discussion is encouraged and marked. Meanwhile students also need to write a short note or summary which reflects your critical thinking on the reading cases, as well as clues which enrich class participation.

Quizzes: 15%

For every week, students will be assigned a quiz, so overall, there will be five quizzes throughout the course. Before each quiz, student will have access to the time and content of it, and will be left time for them to review by themselves after class. The scores of the five quizzes consist of 20% of the overall grade of this course. There will be no made-up quizzes, so students should be present each time.

Exams: 70%

There will be 2 midterm exam and 1 final exam for this course.

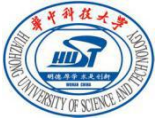
The midterm and final exams are both closed-book in-class exams. The forms of the questions include multiple choices, right-or-wrong questions, definitions, and formal analyses. Exams will cover most of the materials used in class, including textbooks, handouts and reading materials. Classes before the midterm exams and the final exam will be left for review and Q&A. There will be no makeup exams.

Course Assessment:

Reading Assignment and Class Participation	15%
Quizzes	15%
Midterm Exam 1	20%
Midterm Exam 2	20%
Final Exam	30%
Total	100%

Grading Scale (percentage):

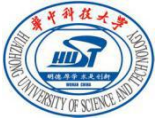
A+: 98%-100%



A: 93%-97%
A-: 90%-92%
B+: 88%-89%
B: 83%-87%
B-: 80%-82%
C+: 78%-79%
C: 73%-77%
C-: 70%-72%
D+: 68%-69%
D: 63%-67%
D-: 60%-62%
F: Below 60%

Course Schedule:

Week	Topics	Assignments
1	Course policy, Course Syllabus and Course Overview Business Organizations, Modern Firms, Examples of Organizational Success and Failures, Economic Logic behind Organizations Organizational Objectives of Modern Firm (Value Maximization, Profit Maximization and the Goals for the Stakeholders' Interest Economic Organization and Efficiency, the Tasks of Coordination and Motivation in an Organization	Reading Assignment Class discussion Quiz 1
2	Transaction Cost Theory and Analysis Decision Making in Organizations and Market Competition Using Prices for Coordination and Motivation, Incentives and Information Transfer under Market, the Neoclassical model, Market failure and Transfer pricing	Reading Assignment Class discussion Quiz 2 Midterm 1



3	<p>Coordination, Information, Communication and Business Strategy Formulating</p> <p>Incentives in Organization, Incentive Conflicts and Contract, Financial Incentives and Alternatives to Financial Incentives</p> <p>Incentives Extension</p>	<p>Reading Assignment</p> <p>Class discussion</p> <p>Quiz 3</p>
4	<p>Relational Contract</p> <p>Property Right and Ownership</p> <p>Employment, Labor Market, Compensation and Income Inequality</p> <p>Centralization Versus Decentralization</p>	<p>Reading Assignment</p> <p>Class discussion</p> <p>Quiz 4</p> <p>Midterm 2</p>
5	<p>Performance Evaluation System(Individual Performance Evaluation, Divisional Performance Evaluation</p> <p>Corporate Governance</p> <p>Vertical Integration and Outsourcing</p> <p>Boundary of the Firm(Vertical Boundary and Horizontal Boundary</p> <p>Review for Final Exam</p>	<p>Reading Assignment</p> <p>Class discussion</p> <p>Quiz 5</p> <p>Final Exam</p>

Academic Integrity:

Students are encouraged to study together, and to discuss lecture topics with one another, but all other work should be completed independently.



Students are expected to adhere to the standards of academic honesty and integrity that are described in the Huazhong University of Science & Technology's *Academic Conduct Code*. Any work suspected of violating the standards of the *Academic Conduct Code* will be reported to the Dean's Office. Penalties for violating the *Academic Conduct Code* may include dismissal from the program. All students have an individual responsibility to know and understand the provisions of the *Academic Conduct Code*.

Special Needs or Assistance:

Please contact the Administrative Office immediately if you have a learning disability, a medical issue, or any other type of problem that prevents professors from seeing you have learned the course material. Our goal is to help you learn, not to penalize you for issues which mask your learning.